

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Dwight D. Keen

In the Matter of the Application of Palomino)	Docket No. 19-CONS-3100-CWLE
Petroleum, Inc., for an Exception Pursuant to)	
K.A.R. 82-3-108 for the Drilling of the Deeds)	CONSERVATION DIVISION
#1 Well in the NW/4 of Section 15-T5S-)	
<u>R37W, Cheyenne County, Kansas.</u>)	License No. 30742

ORDER GRANTING APPLICATION

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being duly advised in the premises, the Commission makes the following findings and conclusions:

I. JURISDICTION

1. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹
2. K.A.R. 82-3-108(a) provides that the setback requirement for oil and gas wells shall be 330 feet from any lease or unit boundary line, except as provided in subsection (b) or (c).
3. K.A.R. 82-3-108(c) provides that the Commission may grant an exception to the well setback requirements if necessary either to prevent waste or protect correlative rights.
4. K.A.R. 82-3-207 states that a standard oil well drilling unit shall be 10 acres, except that the standard drilling unit for counties and well depths listed in K.A.R. 82-3-108(b) shall be 2.5 acres.

¹ K.S.A. 74-623.

II. FINDINGS OF FACT

5. Palomino Petroleum, Inc. (Operator) conducts oil and gas activities in Kansas under active license number 30742.

6. On September 07, 2018, the Operator filed an Application requesting a well location exception and full allowable for the proposed Deeds #1 well (the subject well), to be located 1,220 feet from the north line (FNL) and 2,445 feet from the west line (FWL) of Section 15, Township 5 South, Range 37 West, Cheyenne County.²

7. The Operator seeks a well location exception for the subject well because the proposed location for the subject well is 195 feet from the West boundary line of Section 15 rather than the required 330 feet.³

8. The location of the subject well proposed in this Application is the most desirable location for the discovery and production of oil in commercial quantities according to the 3-D seismic survey provided by the Operator upon Staff's request.⁴

9. Commission Staff recommended that the Operator's Application should be granted to prevent waste and protect correlative rights. No protest has been received by the Commission.

III. CONCLUSIONS OF LAW

10. The Commission finds and concludes that it has jurisdiction over the Operator in this matter.

11. The Commission finds and concludes the Application was filed in accordance with the rules and regulations of the Commission and in accordance with Kansas statutes.

² See Application (April 30, 2018), ¶1.

³ *Id.*

⁴ Exhibit 1.

12. The Commission finds and concludes that notice was properly served and published.

13. Based on the above facts, the Commission finds and concludes that the Application should be granted to prevent waste.

THEREFORE, THE COMMISSION ORDERS:

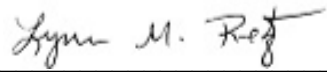
A. The Operator's Application for a well location exception for the subject well under K.A.R. 82-3-108 is granted. A full allowable pursuant to K.A.R. 82-3-203 is also granted. The subject well shall have a standard drilling unit, except that the acreage of the drilling unit shall be reduced along the northern side to match the lease line.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁵

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner.

Dated: 10/25/2018 _____



Lynn M. Retz
Secretary to the Commission

Mailed Date: 10/26/2018 _____

LW

⁵ K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

Staff Recommendation: 19-CONS-3100-CWLE Palomino Petroleum, Inc.

Staff has reviewed this application. The applicant has submitted and met all requirements required for a well location exception pursuant to K.A.R. 82-3-108.

Upon request, the applicant provided staff with a 3-D seismic time structure map that was interpreted from a seismic survey conducted over the area that this well intends to be drilled.

Staff believes applicant has provided sufficient evidence to support their claim that the drilling location is at the optimum geologic location, all being- that applicant's 3-D seismic survey holds true in its interpretation.

Applicant has been unable to successfully negotiate an oil and gas lease covering the affected adjacent property, the NE/4 of section 15. This affected NE/4 has in fact, not been leasable to the applicant or any other oil and gas operator at this time.

The mineral rights owner of the affected adjacent property is unwilling to lease their land/mineral rights for oil and gas development. The applicant has identified a positive subsurface structure similar to ones in the area that have been known to produce economical quantities of oil. If applicant is not granted this exception to drill the Deeds #1 then possible economic quantities of oil or gas will be left in the ground and the applicant's lessor's correlative rights will be harmed. Therefore, staff believes that the drilling of the Deeds #1 well would in fact prevent waste and protect correlative rights.

Staff recommends granting applicant's well location exception pursuant to K.A.R. 82-3-108 in order to drill their Deeds #1 well, and recommends it be granted its full respective allowable.

Jake Eastes

Geologist



Conservation Division

Kansas Corporation Commission

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CERTIFICATE OF SERVICE

19-CONS-3100-CWLE

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail and electronic service on 10/25/2018.

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/S/ DeeAnn Shupe

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